



Petroleum Market Report

June 12, 2000

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

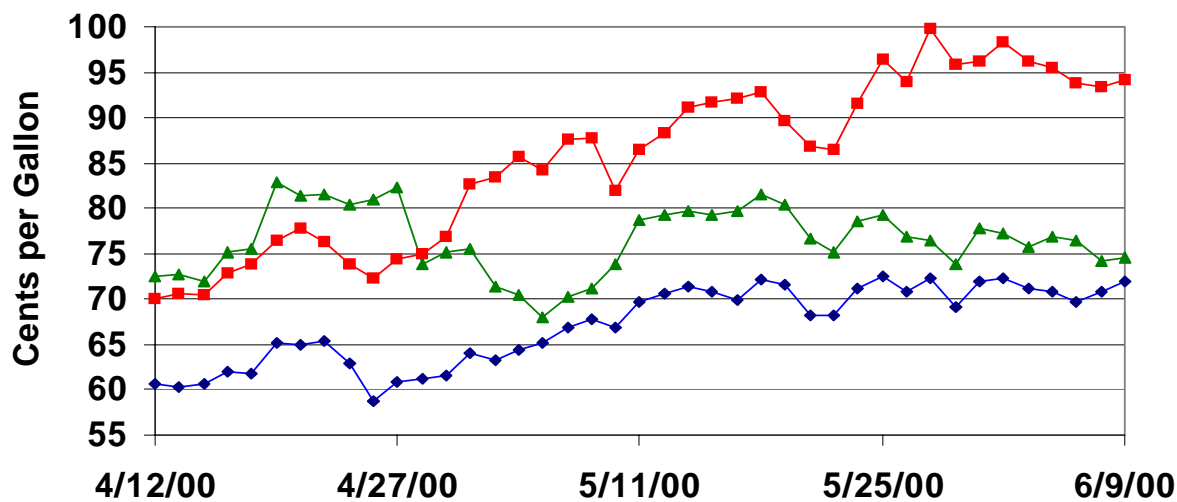
U.S. petroleum spot and futures prices posted modest overall declines last week, despite OPEC indecision over the implementation of an output increase earlier portrayed as “automatic” once prices exceeded a prescribed band. Though the 20-day average OPEC basket price passed the \$28-per-barrel trigger point by midweek, the cartel delayed implementation of the expected 500,000-barrel-per-day increase, as various members proposed options ranging from no increase to more than double the amount. Daily prices wavered throughout the week, buffeted by the global crude oil uncertainties, and by refinery and pipeline concerns in the U.S. Gasoline prices in the Midwest remained very strong, driven by tight supplies.

Crude oil - prices were driven by events and rumors affecting international markets throughout the week. Along with OPEC indecisiveness about the previously promised automatic production increase, the organization’s upcoming June 21 meeting remains the subject of widespread speculation, with decisions to be reached at the meeting likely to affect supply and markets for the remainder of the year. Additionally, concerns arose during the week about the extension of the U.N.-sanctioned Iraqi “oil-for-food” program, which was finally extended on Friday for another six months, with no volume limit. A larger-than-expected weekly U.S. stockdraw put upward pressure on prices at midweek.

Gasoline - remained the center of domestic market attention, especially in the Midwest, where tight supplies have driven both RFG and conventional prices to record levels. Supply concerns were further amplified by unit outages at a number of refineries, along with a pipeline shutdown in Michigan. A small stockbuild for the week ending June 2 left inventories 23 million barrels lower than a year ago.

Distillate - prices ticked upward on Tuesday, but drifted lower most of the week to follow crude oil. A solid build for the week ending June 2 helped move stocks back toward the seasonal range.

U.S. Spot Crude Oil and Product Prices



◆ WTI (Cushing) ■ Reg. Gasoline (NYH) ▲ No. 2 Heating Oil (NYH)

CHRONOLOGY OF RECENT MARKET EVENTS

- 6/9 - rising** - crude oil led all prices higher, as OPEC members continued to delay making a commitment to raise output, despite earlier promising to raise production if prices rose beyond a prescribed band. A general strike in Nigeria caused some concern, but was offset by U.N. Security Council approval of a six-month extension of the Iraqi "oil for food" program, with no limit on volumes.
- 6/8 - mixed** - most prices ended lower, following reports that Saudi Arabia might propose an OPEC output increase at least twice the size of the "automatic" increase still not implemented. A new refinery problem was reported on the Gulf Coast, while a leak shut a major products pipeline in Michigan.
- 6/7 - mixed** - crude oil and gasoline futures prices rose, while others fell, in response to a variety of domestic and international influences. OPEC members indicated the possibility of delaying any output increase until their June 21 meeting, while refineries on both the East and West coasts were experiencing problems.
- 6/6 - mixed** - gasoline prices eased, distillates rose, and crude oil was nearly flat, ahead of the weekly API and EIA supply reports. Crude oil was pressured downward by reports that Iraqi exports would see little interruption, and that OPEC would not delay increasing output.
- 6/5 - falling** - spot and futures prices dropped across the board in thin trading, amid mixed signals from OPEC members on the automatic nature of a price-band-related production increase. A reported rise in Iraqi exports last week was also a factor.
- 6/2 - mixed** - crude oil and gasoline prices continued higher, supported by ongoing uncertainty about impending output increases by OPEC and others. OPEC President Ali Rodriguez reiterated the provision for an automatic 500,000-barrel-per-day increase if the 20-day average basket price passes \$28 per barrel, but cautioned that any further increase was not likely at the June meeting.
- 6/1 - rising** - prices rebounded from Wednesday's decline, boosted by crude oil and gasoline stockdraws reported by both API and EIA. With the amount and timing of any OPEC production increase in response to high prices still uncertain, WTI spot and futures rose back over \$30 per barrel.
- 5/31 - falling** - all prices fell solidly, as the prospect of higher OPEC production combined with the expiration of June NYMEX products futures to spark widespread selling. Officials in Iran, Venezuela, and Algeria were all quoted as saying that OPEC could quickly add 500,000 barrels per day if the basket price stays over \$28 per barrel.
- 5/30 - mixed** - sharp gains in gasoline led most prices higher in the first trading session after the 3-day Memorial Day weekend, with only some spot distillate prices losing ground. EPA's rejection of RFG waiver requests for Milwaukee and Chicago, along with a reported cat cracker outage at a Northeastern refinery, were seen as significant factors in gasoline trading.